

Statement of Senator Larry Craig
“Health Savings Accounts & the New Medicare Law: The Face of Health Care’s Future?”
May 19, 2004

Good afternoon and welcome. Rarely has the convening of a hearing been such a pleasure.

Last fall, as part of the comprehensive new Medicare legislation, Congress enacted into law what I believe to be one of the most innovative reforms to American health care in a generation. I am speaking, of course, of health savings accounts.

Consumer choice in health care is a cause I have been working on for nearly 20 years, and it is deeply gratifying to see it come to fruition in such a dramatic way.

To a greater degree than ever before, the new health savings accounts will permit individuals to build significant tax-free health care savings for use in meeting a family’s health care needs, including long-term care. Together with high-deductible insurance for very high expenses, the new HSAs help put control of health care where it belongs, with the individual.

As we will hear this afternoon, the marketplace is greeting the new health savings accounts with enthusiasm. Sales of individual and small group health savings accounts have been quite brisk, with one company reporting sales of more than 1,000 health savings accounts in the first week alone. And that’s not even counting rollout of health savings accounts in the even bigger large group market, which is expected to get underway this summer. Meanwhile, nearly three-quarters of employers now say they are likely to offer HSAs to their employees by 2006.

In the midst of all this, the Department of the Treasury, led by Secretary John Snow, has been moving aggressively to smooth the way toward full health savings accounts implementation as soon as possible. The Secretary, whom we’re honored to have with us today, deserves great credit for wielding his regulatory authority with such speed and effectiveness.

Health savings accounts offer a meaningful opportunity to give greater control of health care to consumers themselves -- and to begin to move away from the increasingly bureaucratic nature of health care today. Putting people in charge of their own money and their own health care promises to realign incentives to better promote both cost savings and quality.

The arrival of health savings accounts also offers needed relief to struggling small employers. Many such employers today face the agonizing choice of paying for traditional insurance they can no longer afford and dropping health coverage altogether. HSAs offer a promising lifeline to these companies and their workers.

Finally, HSAs hold special advantages for older workers and retirees – many of whom face growing health care coverage needs as they approach Medicare age. For

example, the HSA law especially permits older workers above 55 to make supplemental “catch-up” contributions into their HSAs as they approach retirement.

Health savings accounts have real promise as a tool to transform the way America relates to health care. Much work lies ahead, but I believe we are off to a good start.

I look forward to our testimony and discussion this afternoon. Thank you.

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